



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 756** HLS 09RS 545
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 9, 2009	6:33 PM	Author: MONTOUCET
Dept./Agy.: Revenue		
Subject: MM&E certificate for farm equipment		Analyst: Deborah Vivien

TAX/SALES-USE-EXEMPT RE1 SEE FISC NOTE GF RV See Note Page 1 of 1
Application of the sales and use tax exemption and exclusion for the purchase of farm equipment

Current law exempts the first \$50,000 in purchases of certain farm equipment from all state sales and use tax. An optional exemption is available at the local level. Other farm implements and equipment are suspended from the exemption so are currently subject to a 4% state sales tax. Beginning July 1, 2009 the suspension expires on these items which will then be subject to a 1% state sales tax. At the point of sale, a signature is required stating that the equipment being purchased is eligible for this exemption.

Current law allows any manufacturer with a North American Industry Classification System (NAICS) code beginning with 11 (sector including agriculture, forestry, fishing and hunting) to be excluded from state sales tax for manufacturing machinery and equipment (MM&E). (R.S. 47:301(3)(ii)(bb)) Present law retains current law but requires certification for eligibility for the manufacturing machinery and equipment exclusion at the point of sale for farm equipment. Purchaser or his representative will declare eligibility at point of sale and is responsible for taxes due.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Currently, the sales tax exemption for certain farm equipment requires no certification for eligibility, merely a signature at point of sale verifying the equipment is to be used for farm purposes. This legislation clarifies that in order to obtain the exemption for farm equipment, the purchaser must prove certification for the MM&E exclusion by virtue of a NAICS sector 11 code assignment (have the appropriate exemption certificate for the MM&E exclusion). To the extent that current purchases of farm equipment eligible for exemption have been made by those not certified for the MM&E exclusion, this bill may have a small net positive effect on state revenue collections as fewer exempt transactions may be allowed. The dollar impact of is unknown but would be expected to be minimal.

The Department of Revenue indicates that the primary benefit of this approach to granting the exemption would be to make audits of farm equipment dealers easier to carry out and eliminate the situations where individual buyers of farm equipment are pursued for collection of taxes on purchases incorrectly granted the exemption.

Senate	<u>Dual Referral Rules</u>	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	 Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	